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1866

MAMMOTH VEIN
CONSOLIDATED
COAL COMPANY.

REPORT OF JOINT COMMITTEE
AND
TREASURER'S CIRCULAR.

APRIL 24, 1866.

BOSTON:
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To

STOCKHOLDER,

Mammoth Vein Consolidated Coal Co.

DEAR SIR:

The Directors have found themselves compelled to assess the stock of the Company to the amount of ten dollars per share. The Report of a joint committee of Directors and Stockholders, appointed November 30th, 1865, is annexed, as showing the condition of the Company on January 1, 1866, when a general account of Stock and Inventories in detail of all the property of the Company were taken. At this time the debt of the Company amounted to \$433,945, taking at their full par value the outstanding Bonds issued in August last, at the rate of eighty cents on the dollar.

The origin and growth of this debt are easily accounted for and traced. The Company commenced its operations in June, 1864, with a cash working capital of \$175,000, an amount which in the unfinished condition of the property was quite inadequate to its needs. After little more than a couple of months' working of but a small portion of the collieries, and having at that time already expended in Construction and Improvement accounts at the least \$102,000, and probably more, it paid out in Cash Dividend and Tax thereon, \$210,500. In consequence of having thus been at so early a day deprived of working capital and run into debt, and of subsequent unavoidable expenditures in construction and improvement, the Company has been subjected to the payment of large sums of money in interest, and has in addition, of necessity, incurred the many and varied losses, that must, as every business man knows, result, directly and indirectly, to a concern thus thrown into financial discredit.

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The Company has expended to January 1, 1866, \$366,000 in Construction account, or in other words, in slowly and gradually, and by heavy continuous outlay, bringing the property into a condition of completeness and productive capacity, approaching the representations on those points made to the Stockholders in June, 1864.

The Company has also expended in cutting the 214,466 tons of Coal which were in the various Collieries, as ascertained by actual measurements made January 1, 1866, probably the sum of \$150,000, which amount being equally with money charged to Construction account, spent in necessary improvement of the property, should be added to the Committee's Statement, No. 1. The whole amount of the Coal cut, and on the bank, at the various collieries, as ascertained by the measurements referred to was as above. 214,466 tons, and valued in all at \$215,566; of this amount \$150,000 only is claimed as addition to the value of the property made by the Company, in order to insure ample allowance for such quantity of coal as may have been already cut in the collieries when they came into the Company's possession. As no previous measurements had been made, the statements on this subject heretofore having been merely matter of estimate and opinion, the quantity of cut coal in the collieries at the outset cannot be arrived at with strict accuracy: it is believed to have been considerably less than the amount allowed for it above.

It is thus seen that dividend and tax, construction account, cut coal, interest and extra interest have sufficed to absorb the working capital and the profits of the business, and to create the debt under which the Company has been laboring, and which, in order to protect themselves and their property, the Stockholders are called upon to remove.

It is not asserted that \$400,000, the amount of the assessment called for, will supply to the Company such working capital as it would be desirable to have for the most safe, advantageous and profitable conduct of its business; it is believed, however,

that with such a weight of debt removed, the business may be conducted with safety and with profit, and that the future earnings of the Company, and the better credit it will possess, should in time supply all else needed in this respect. It is to be borne in mind that this debt is not all due at the present time; \$100,000 of it averages due in eleven months from February, 1866; other \$153,000 is in the Bonds of the Company, which, if retained until maturity, will return to the holder an interest of about fifteen per cent. per annum, a considerable proportion, therefore, may remain outstanding; of the balance of the debt it is probable that such amount as the interests of the Company require may be continued on favorable terms.

The present condition of the Company's property is the point of immediate interest and importance.

The Collieries are now at last, after this lapse of time and very heavy expenditure, in good working order, worth, it is believed, fully one half more than when they came into our possession, and with capacity for a largely increased and increasing production of coal, and at rates low enough to enable the Company to meet successfully the competitions of this business; the coal covered and controlled by our leases is believed to be practically inexhaustible, and of quality not surpassed in the Anthracite region. As regards the important question of transportation, the Company is believed to have facilities superior to many, and fully equal to those possessed by any other establishments throughout the region. During the very much broken and interrupted year of 1865, the Company shipped 179,586 tons of coal, shipping in the four months of August, September, October, and November, 107,819 tons, and in the month of November alone, 30,848 tons; if subjected to no unforeseen unavoidable interruptions, the shipments of 1866 should be double those of 1865.

The necessary heavy expenditures of the Company are gone through with, the unfinished collieries finished, breakers built, remodeled, and repaired, slopes sunk, gangways driven, breasts opened and filled with coal, and no reason is known, why with a good management and careful economy, the results of the Company's future business should not prove as largely remunerative as those of any of the best coal operations in Pennsylvania.

The Directors have full confidence and express their entire satisfaction in Mr. James Neill, the agent in Philadelphia, and Mr. William H. Sheaffer, the agent in Pottsville and at the Mines: they believe those gentlemen to be both well qualified for their respective positions, and to be devoted to the Company's interests.

The Inventories of property at the mines are believed to have been carefully made, and the property specified therein to be estimated at their cash values as near as possible. The Inventory referred to in the Committee's Statement, No. 2, comprises all the property of the Company at the mines, both above ground and under, and necessarily, therefore, includes improvements which cannot be separated from the land, as, for instance, slopes, gangways, airways, etc., etc. These are all, however, essential parts of the collieries, requisite to their operations, and adding to their value, and were they not in existence must be created by the Company, and, it is believed, at an expenditure equal to or exceeding the sums stated in the Inventory.

The Inventory referred to in Committee's Statement, No. 3, was made at the same time and in similar manner, but differs from the other in its omission of those fixed immovable improvements already alluded to. Both these Inventories, in full detail, are open to examination by the Stockholders.

Neither in the Statements of the Committee nor in the Inventories is any allusion made to the value of the Company's leases; these are represented as being, and are believed to be, of large value, as covering, for terms of varied

duration, valuable mining privileges at rates of royalty considerably lower than have since ruled, and been obtained in the Anthracite regions.

As to the profits of the business, as given in Statement No. 5; if it is desired to estimate fairly the prospects of the Company's future business, full and sufficient allowance must be made for the unfinished condition of the property when it came into our possession, and the loss of time and heavy expenditures unavoidably consequent; for the embarrassed state of the finances, and the many and varied losses, disadvantages, and interruptions necessarily resulting; also, for long and expensive inaction during the strike throughout the region in the summer of 1865. Had the property been, in June, 1864, in such condition as was then represented, it is believed that the results of the business for that year and the year following might have approached the results promised as inducement to subscription. In its actual condition at that time, that these promises could have been in any way realized was simply impossible.

The Committee's Report not having been made until April 23d, the absence of several of the Directors, and the earnest desire of the Treasurer to present their report to the Stockholders at as early a day as possible, has induced him to do so in advance of its submission to the Board. The same is the fact also, and from similar causes, in regard to the present circular.

A. B. ALMON, *Treasurer*.

BOSTON, April 24, 1866.

To the President and Directors of the

Mammoth Vein Consolidated Coal Co.:

GENTLEMEN, — The undersigned, appointed a Committee by the Directors of the Mammoth Vein Consolidated Coal Company to look into and report upon its condition, transmit the same herewith, together with the subjoined Statements numbered One to Five, inclusive, to which they beg leave to refer, and also to the Inventories from which these Statements are made.

The Committee fixed upon the 1st of January last as the point of time to which they would bring their report, and accordingly have made up their balances to that date, as shown by the trial balance of the late Treasurer, and the statements of the value of the properties as furnished to the Committee by full Inventories of all the Company's property in Pennsylvania.

The different Statements, as will be readily perceived, are made with different and distinct objects in view, and it is hoped are sufficiently clear to be understood at once. Of course, it is not expected that we undertake to demonstrate the exact value of this property, — the absurdity of such an attempt is apparent to all, — but simply to show, as near as we are able from such sources as are within our reach, the financial situation of the Company at that date, giving its liabilities and its assets, and placing them in such varied form before the Board that those interested in their examination will have the data from which to make estimates for themselves.

These Statements are made by the Committee from the "Trial Balance" and the "Inventories" of valuations of property at the Mines, before referred to, and although they have no reason to question their accuracy and entire reliability, they deem it proper to state from what sources the material for these exhibits has been derived, and that they are not vouched for as correct within the personal knowledge of the undersigned; such examination,

however, as it has been in our power to make of the estimates themselves, leads us to regard them as fairly made, and with no design to deceive or over-estimate.

. No estimate is made in any of these Statements of the *value of the "Leases"* as an item; only the property and improvements thereon being valued, and if any sum is fixed upon as representing such value it is to be added.

Without attempting to explain or discuss the causes that have produced results so different from the anticipations of those who invested their money in this Company, it may not be out of place, in presenting these exhibits, to remark that during the time the mines have been worked by this Company, many unforeseen and unexpected interruptions have occurred in the prosecution of the work at the collieries, and several of them have hardly been worked at all, while heavy expenditures for improvements were being made, which could not be omitted if we were to make productive, the amount already invested; and while the undersigned, in common with all who are interested, regret the necessity for such outlays, they feel satisfied it is sound policy. It is probable that up to the present time not more than one-third of the capacity of the Collieries has been attained.

OLIVER DITSON,
CHAS. G. NAZRO,
JOHN H. THORNDIKE,
WM. T. HART,

Committee of the Directors.

BOSTON, April 23d, 1866.

Statement No. 1.

*Of Cost of the Collieries as shown by the Subscriptions
paid in and the Accounts of Disbursements for Perma-
nent Improvements by the Company :*

40,000 Shares at \$40 per share is, \$1,600,000

LESS :

Dividend paid of \$5 per
share, . . \$200,000

Tax on same, . . 10,000

Paid to Trustees to be ex-
pended in new Shaft at
Hickory Mine, . . 100,000

\$310,000

\$1,290,000 00

Paid by the Company from General
Fund for Construction and Perma-
nent Improvements per account, 366,334 43

Paid from the \$100,000 Fund by the
Trustees as per account rendered, 45,224 13

411,558 56

Balance of the \$100,000 Fund remaining with the
Trustees to be expended on the Shaft, . . 54,775 87

\$1,756,334 43

Statement No. 2.

Showing the Appraised Value of the Collieries WITH the improvements as per Inventories.

Charles E. Smith Colliery,	\$194,965 86
Tuscarora "	105,761 61
Locust Gap "	59,055 72
A. S. Wolf "	83,340 04
Locust Mountain "	213,835 67
Hickory "	395,247 35
Wadesville Shaft "	50,638 00
Mahanoy Valley "	179,535 81
Stable Property and General Office, Pottsville,	2,920 25
	<hr/>
	\$1,285,300 31
" Leased Property," composed mainly of tenements on hand, when leased,	90,143 19
Balance of Shaft Fund in the hands of the Trustees unexpended,	54,775 87
	<hr/>
	\$1,430,219 37
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The above shows the Estimated Value of these properties, *including* the improvements upon them as given in the Inventories from which they are taken, *but not putting any estimate upon the Value of the "Leases."*

Statement No. 3.

Showing the appraised value of the PERSONAL PROPERTY of the Collieries, WITHOUT estimating the value of the "Leases" or the improvements, as per Inventories same date :

Charles E. Smith Colliery,	\$163,493 36
Tuscarora "	38,362 94
Locust Gap "	36,432 12
A. S. Wolf "	60,526 29
Locust Mountain "	157,557 69
Hickory "	249,871 03
Wadesville Shaft "	19,263 83
Mahanoy "	142,291 01
Stable property and general office, Pottsville,	2,920 25
	<hr/>
	\$870,718 52
LEASED PROPERTY, mainly tenements on the prem-	
ises when leased,	90,143 19
Balance of Shaft Fund in the hands of Trustees un-	
expended,	54,775 87
	<hr/>
	<u>\$1,015,637 58</u>

The above shows the Estimated Value of the personal property connected with these Mines, as per the Inventories; but includes *nothing* for the value of the "Leases" or for the cost of permanent improvements made in them.

Statement No. 4.

Of the Company's Debt on the 1st of January, 1866, as per Trial Balance of that date after deducting sums available for its reduction :

Bills Payable,	.	.	.	.	.	\$350,000
Demand Loans,	.	.	.	.	.	82,000
Bonds Payable,	.	.	.	.		\$134,050
“ “	.	.	.	.		19,000
					—————	153,050
					—————	\$585,050 00

LESS.

For Cash on hand, pr. book	.	.	.	.	\$3,722 14
“ balance of James Neill, agent, account as rendered, due Company for Coal sold,	.	.	.	.	64,677 33
“ balance account W. H. Sheaffer, agent at the Mines	.	.	.	.	14,283 05
“ Bills Receivable, being notes for Coal sold, in hands of the Treasurer	.	.	.	.	35,421 53
“ amount of Coal on hand in Philadel- phia as estimated Jan'y 1st, 1866	.	.	.	.	33,000 00
					—————
					151,104 05
					—————
					\$433,945 95
					—————

It will be understood, of course, that the item of \$33,000 (for amount of coal in Philadelphia) would not appear in the Trial Balance, but as it is property on hand, and available for the payment of debt, it was deemed proper to place it with other quick assets.

Statement No. 5.

Of Finances to January 1st, 1866.

RECEIVED.

From Subscribers, 40,000 Shares, at		
\$40.00 each,	\$1,600,000 00	
From other sources, being amount of		
the present NETT DEBT of Co. per		
Statement,	433,947 00	
	<hr/>	2,033,947 00
Nett Profits derived from sales Coal,		
over and above the amount paid in		
by the subscribers, and the present		
debt and expenses, including extra		
interest, &c., &c., as shown by		
the trial balance and accounts,	To Balance,	212,655 00
		<hr/>
		\$2,246,602 00

PAID.

For Seven Collieries, as per Statement,	\$1,325,000 00	
“ Sinking Shaft at Hickory Mine, by		
depositing with Trustees for that		
purpose,	100,000 00	
“ Permanent Improvements on the		
various Mines as per the account		
of same,	366,000 00	
“ Dividend of \$5 per share and Tax		
on same,	210,526 00	
“ Estimated cost of mining 214,466		
tons of Coal now in breasts per		
estimate, and ready for delivery		
at mines,	214,466 00	
“ Discount of 20 per cent. on \$153,-		
050 00 in Bonds out, the debt		
being face of Bonds,	30,610 00	
	<hr/>	\$2,246,602 00
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Statement Additional.

Treasurer's, from Statements by Committee.

Amount of Inventory, as by Committee's Statement No. 2 (<i>no addition made for value of Leases</i>), . . .	\$1,430,219 37
Deduct valuation of Leased Property, . . .	90,143 19
	<u>\$1,340,076 18</u>

Say amount Valuation by Inventory, . . .	\$1,340,000 00
CAPITAL STOCK, 40,000 SHARES, SAY AT \$33.50 per SHARE,	<u>\$1,340,000 00</u>

Amount Valuation by Inventory, as above, . . .	\$1,340,000 00
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Amount of Debt, as by Committee's Statement No. 4,	\$585,050 00
Deduct available assets,	151,104 05
	<u>\$433,945 95</u>

Say Amount of Debt,	<u>\$440,000 00</u>
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Valuation by Inventory, in excess of Debt, and exclu- sive of Leases,	\$900,000 00
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CAPITAL STOCK, 40,000 SHARES, SAY AT \$22.50 per SHARE,	<u>\$900,000 00</u>
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